

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF VIRGINIA

Alexandria Division

| | | |
|--------------------------|---|--------------------------------|
| UNITED STATES OF AMERICA |) | Criminal No. 1:17-CR-224-LOG-2 |
| |) | |
| v. |) | |
| |) | |
| DANNIE AHN, |) | Honorable Liam O'Grady |
| |) | |
| Defendant. |) | |

STATEMENT OF FACTS

Were this matter to go to trial, the United States would prove the following facts beyond a reasonable doubt:

I. The Conspiracy to Commit Health Care and Wire Fraud

1. From a date unknown, but by at least in or about 2008 and continuing through at least in or about 2012, in the Eastern District of Virginia and elsewhere, DANNIE AHN ("AHN") knowingly and willfully did combine, conspire, confederate and agree with YOUNG YI ("YI") and others known and unknown to the grand jury, to commit the following offenses against the United States:

a. Health care fraud, that is, to knowingly and willfully execute, and attempt to execute, a scheme and artifice to defraud health care benefit programs affecting commerce, as defined in Title 18, United States Code, Section 24(b), including but not limited to Medicare, TRICARE, CareFirst BlueCross BlueShield, United Healthcare, and Cigna, and to obtain, by means of materially false and fraudulent pretenses, representations and promises, money and property owned by, and under the custody and control of, said health care benefit programs, in connection with the delivery of and payment for health

care benefits, items and services, all in violation of Title 18, United States Code, Section 1347; and

b. Wire fraud, that is, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false or fraudulent pretenses, representations, and promises, knowingly transmits and causes to be transmitted by means of wire, radio, and television communication in interstate or foreign commerce, any writings, signs, signals, pictures, and sounds for the purpose of executing such scheme or artifice to defraud, in violation of Title 18, United States Code, Section 1343.

2. AHN helped oversee, control, and manage various corporations, including 1st Class Sleep, 1st Class Medical, Quality Diagnostics, and Quality DME (collectively, "1st Class"), along with AHN's conspirator, YI, from in or about 2005 through at least in or about 2012. 1st Class provided sleep studies and sleep-related treatment in Centreville, Virginia, within the Eastern District of Virginia, and elsewhere.

3. During the conspiracy, AHN and his conspirators, including YI, enriched themselves by defrauding health care benefit programs by causing the submission of false, fraudulent, and misleading claims.

4. During the conspiracy, AHN and his conspirators, including YI, caused kickbacks to be paid to physicians in exchange for referring patients to 1st Class, and disguised the kickbacks using various means.

5. During the conspiracy, AHN and his conspirators, including YI, incentivized 1st Class employees to receive sleep studies, which they had no basis to believe were medically necessary and were not authorized by any medical practitioner, in order to increase revenue.

6. During the conspiracy, AHN and his conspirators, including YI, incentivized 1st Class employees to recruit their friends and family members to receive sleep studies, which they had no basis to believe were medically necessary and were not authorized by any medical practitioner, in order to increase revenue.

7. During the conspiracy, AHN and his conspirators, including YI, directed 1st Class employees to solicit existing 1st Class patients, including through systematic cold calls, to undergo repeat and medically unnecessary sleep studies, in order to increase revenue. During the cold calls, 1st Class employees made misleading representations about the need for patients to have additional sleep studies.

8. During the conspiracy, AHN and his conspirators, including YI, fraudulently waived required patient co-pays and/or co-insurances in order to induce patients to return for multiple sleep studies, including sleep studies that were medically unnecessary and not prescribed by any medical practitioner.

9. During the conspiracy, AHN and his conspirators, including YI, fraudulently induced patients to agree to and receive sleep studies that had not been recommended, prescribed, or otherwise authorized by a physician or licensed medical practitioner.

10. During the conspiracy, and to increase the revenue for 1st Class, AHN and his conspirators, including YI, directed billers to bill out-of-network if the patient had out-of-network benefits, even if 1st Class had a contract with that health insurance company and was supposed to bill in-network under that contract.

11. During the conspiracy, AHN and his conspirators, with the knowledge of YI, created and caused the creation of invoices to make it appear that 1st Class was collecting and

attempting to collect co-pays and co-insurance, as required by various health care benefit programs including, but not limited to, Medicare, TRICARE, Cigna, CareFirst BlueCross BlueShield, and United Healthcare.

12. During the conspiracy, AHN and YI agreed and understood that claims containing false and fraudulent information would be submitted to health care benefit programs. The false claims ultimately submitted to health care benefit programs included misrepresentations about the service facility location, billing provider, and medical necessity.

13. During the conspiracy, within the Eastern District of Virginia, AHN and his conspirators, including YI, used interstate wires in furtherance of the scheme.

II. The Conspiracy to Defraud the United States

14. Beginning on a date unknown, but by at least in or about 2010 through at least in or about November 2011, in the Eastern District of Virginia and elsewhere, AHN did unlawfully, voluntarily, intentionally and knowingly combine, conspire, confederate and agree with YI together with each other and with other individuals both known and unknown to the grand jury, to defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service of the Department of Treasury in the ascertainment, computation, assessment, and collection of revenue: to wit, income taxes.

15. During the conspiracy, AHN and his conspirators, including YI, caused entities that they owned and controlled, including 1st Class Sleep, to pay personal expenses which were falsely and fraudulently characterized as business expenses on the financial books and records of 1st Class.

16. During the conspiracy, AHN and his conspirators, including YI, caused false information, including false business records of 1st Class, to be provided to individuals for the preparation of corporate income tax returns and individual income tax returns.

17. During the course of the conspiracy, AHN and his conspirators, including YI, caused 1st Class to pay personal expenses which were falsely and fraudulently characterized as business expenses on the financial books and records of 1st Class.

18. During the conspiracy, in or about 2010, AHN and YI, both individually and jointly, caused a \$600,000 check to YI to be falsely classified as "medical supplies" on the books and records for 1st Class Sleep.

19. During the conspiracy, in or about 2010, AHN and YI, both individually and jointly, caused a \$580,000 check to YI to be falsely classified as "medical supplies" on the books and records for 1st Class Sleep.

20. During the conspiracy, in or about 2010, AHN and YI, both individually and jointly, caused an \$895,555 check to YI to be falsely classified as "sales returns" on the books and records for 1st Class Sleep.

21. During the conspiracy, in or about 2010 through in or about 2011, YI and AHN, both individually and jointly, caused false information, including false business records of 1st Class, to be provided to individuals for preparation of corporate income tax returns and individual income tax returns.

22. During the conspiracy, in or about September 2011, YI and AHN, both individually and jointly, caused the filing of a false and fraudulent U.S. income tax return for an S Corporation, Form 1120S, for 1st Class Sleep Diagnostic Center, Inc. for the 2010 tax year.

23. During the conspiracy, on or about October 12, 2011, YI and AHN, both individually and jointly, caused the filing of a false and fraudulent U.S. joint individual income tax return, Form 1040, for YI and her husband, B.H.S.

24. The acts described above were done willfully and knowingly and with specific intent to violate the law, and not by accident, mistake, inadvertence, or other reason.

25. This Statement of Facts does not contain each and every fact known to AHN and to the United States concerning AHN's and his conspirators', including YI's, involvement in the charges set forth in the plea agreement.


26. This Statement of Facts shall be admissible as a knowing and voluntary confession in any proceeding against AHN regardless of whether the plea agreement is presented to or accepted by the Court. Moreover, AHN waives any rights that he may have under Fed. R. Crim. P. 11(f), Fed. R. Evid. 410, the United States Constitution, and any federal statute or rule in objecting to the admissibility of the Statement of Facts in any such proceeding.


Respectfully submitted,

Dana J. Boente
United States Attorney

Sandra L. Moser
Acting Chief, Fraud Section

Joseph S. Beemsterboer
Deputy Chief, Health Care Fraud Unit


Katherine L. Wong
Assistant United States Attorney
U.S. Attorney's Office for the Eastern
District of Virginia


Kevin Lowell
Trial Attorney
Fraud Section, Department of Justice

Date: December 20, 2017

DEFENDANT'S STIPULATION AND SIGNATURE

After consulting with my attorney, and pursuant to the plea agreement entered into on this day between DANNIE AHN and the United States, I hereby stipulate that the above statement of facts is true and accurate, and that had the matter proceeded to trial, the United States would have proven the same beyond a reasonable doubt.


By: 
DANNIE AHN
Defendant

Date: December 20, 2017

DEFENSE COUNSEL'S SIGNATURE

I am the counsel for DANNIE AHN. I have carefully reviewed the above Statement of Facts with him. To my knowledge, his decision to stipulate to these facts is informed and voluntary.

Date: December 20, 2017


Jonathan Jeffress, Esq.
Counsel for Defendant